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**BEFORE THE ARIZONA CORPORATION COMMISSION**

TOM FORESE  
CHAIRMAN

BOB BURNS  
COMMISSIONER

DOUG LITTLE  
COMMISSIONER

ANDY TOBIN  
COMMISSIONER

BOYD DUNN  
COMMISSIONER

**IN THE MATTER OF THE  
APPLICATION OF ARIZONA PUBLIC  
SERVICE COMPANY FOR A  
HEARING TO DETERMINE THE FAIR  
VALUE OF THE UTILITY PROPERTY  
OF THE COMPANY FOR  
RATEMAKING PURPOSES, TO FIX A  
JUST AND REASONABLE RATE OF  
RETURN THEREON, TO APPROVE  
RATE SCHEDULES DESIGNED TO  
DEVELOP SUCH RETURN.**

**DOCKET NO. E-01345A-16-0036**

**DOCKET NO. E-01345A-16-0123**

**IN THE MATTER OF FUEL AND  
PURCHASED POWER  
PROCUREMENT AUDITS FOR  
ARIZONA PUBLIC SERVICE  
COMPANY.**

**ENERGY FREEDOM COALITION  
OF AMERICA'S RESPONSES TO  
COMMISSIONER BURNS'  
QUESTIONS REGARDING  
PROPOSED APS SETTLEMENT  
AGREEMENT**

Energy Freedom Coalition of America ("EFCA") hereby provides notice of filing the responses to Commissioner Burns' questions to EFCA in the above referenced matter.

Respectfully submitted this 18<sup>th</sup> day of April, 2017.

/s/ Court S. Rich

Court S. Rich

Attorney for Energy Freedom Coalition of America

1 **Original and 13 copies filed on**  
2 **this 18<sup>th</sup> day of April, 2017 with:**

3 Docket Control  
4 Arizona Corporation Commission  
5 1200 W. Washington Street  
6 Phoenix, Arizona 85007

7 *I hereby certify that I have this day served a copy of the foregoing document on all parties of  
8 record in this proceeding by regular or electronic mail to:*

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1 **Questions for EFCA:**

- 2 **1. In its direct testimony, EFCA recommended a \$107.5 million net base rate decrease.**  
3 **The Settlement Agreement results in a net base rate increase of \$94.624 million**  
4 **(paragraph 3.1).**

5 **Why did EFCA agree to a net base rate increase of over \$202 million greater than**  
6 **recommended in its direct testimony?**

7 The settlement that resolved this matter is comprehensive and complicated. EFCA believes  
8 that each of its positions must be looked at in terms of the entire settlement as a package  
9 and no one settlement position can be looked at without reference to all others. Simply  
10 put, EFCA agreed to each part of the settlement and to the extent it was willing to accept  
11 positions in settlement that it did not support in its pre-settlement testimony, EFCA did so  
12 because of the settlement package as a whole.

- 13 **2. Does EFCA believe that \$202 million is a very significant amount of revenue?**

14 Yes.

- 15 **3. Does EFCA believe that its direct testimony recommendation for a \$107.5 million net**  
16 **base rate decrease was flawed? Please discuss in detail.**

17 As set forth in response to question No. 1, above, the settlement was a comprehensive and  
18 complicated agreement. This settlement, like all settlements, is indicative of compromise  
19 between a party's stated positions and the position a party is willing to accept for the  
20 purposes of gaining certainty while limiting risk. EFCA is not aware of any flaws in its  
21 testimony.

- 22 **4. Settlement Agreements are a result of give and take (see paragraph 40.l). What did**  
23 **EFCA receive in this Settlement Agreement for giving up on its recommendation for**  
24 **a \$107.5 million decrease in net base rate revenue that EFCA would not have received**  
25 **without this Settlement Agreement? Please explain in detail.**

26 It is impossible for EFCA to point to one specific give or take that accounted for any  
27 position it ended up taking. The settlement was comprehensive and each part relied on all  
28 other parts to achieve consensus.

1       **5. Paragraph 3.4 requires APS to impute net revenue growth for any revenue producing**  
2       **plant included in post-test year plant. Did APS meet this requirement in this current**  
3       **rate case? If no, please explain in detail why not.**

4       **Is this requirement not something that should be done just as common practice? If**  
5       **no, please explain in detail why not. If yes, please explain in detail why common**  
6       **practice (i.e., common sense) is something that should be stated as a requirement in**  
7       **this Settlement Agreement.**

8       EFCA has no position on this question at this time.

9       **6. Paragraph 4.1 states that the average bill increase for residential customers will be**  
10       **4.54%.**

11       **Please explain in detail how this average was obtained/calculated.**

12       EFCA believes that Staff, RUCO or the Company are in a much better position to answer  
13       this question and EFCA respectfully requests that this question be directed at one or all of  
14       those parties.

15       **7. What does this average increase mean in relation to customer usage, i.e., how does**  
16       **this relate to a customer that uses 800kWh per month equally throughout the day as**  
17       **opposed to one that uses 800kWh but mostly between 3:00pm and 8:00pm?**

18       EFCA believes that Staff, RUCO or the Company are in a much better position to answer  
19       this question and EFCA respectfully requests that this question be directed at one or all of  
20       those parties.

21       **Section V of the Settlement Agreement deals with Cost of Capital.**

22       **8. Does EFCA believe that equity is higher cost than debt?**

23       EFCA has no position on this question at this time.

24       **9. Why is there nothing in this Settlement Agreement calling for APS to move to a**  
25       **capital structure that is closer to 50/50?**

26       EFCA is unaware if any party was pushing for this outcome in the settlement process.  
27  
28

1 **10. All other things remaining unchanged, what would the net base rate increase be in**  
2 **this Settlement Agreement if a hypothetical capital structure of 50/50 is used in this**  
3 **case?**

4 EFCA believes that Staff, RUCO or the Company are in a much better position to answer  
5 this question and EFCA respectfully requests that this question be directed at one or all of  
6 those parties.

7 **11. Paragraph 5.3 calls for a 0.8% return on the fair value increment.**

8 **a. Does EFCA believe that the Commission is legally required to give APS a**  
9 **return (i.e., something greater than zero) on the fair value increment? If yes,**  
10 **please explain in detail.**

11 EFCA has no position on this question at this time.

12 **b. Does EFCA believe that it would be illegal for the Commission to find that it**  
13 **considered the fair value increment and in doing so, that it agrees with Staff**  
14 **witness Parcell that the fair value increment is not investor supplied capital**  
15 **and therefore should be granted a zero return on the fair value increment?**  
16 **Please explain in detail.**

17 EFCA has no position on this question at this time.

18 **c. All other things remaining unchanged, what would the net base rate increase**  
19 **be in the Settlement Agreement if the return on the fair value increment is**  
20 **zero, 0.1%, 0.3%, 0.5% and 0.7%?**

21 EFCA believes that Staff, RUCO or the Company are in a much better position to  
22 answer this question and EFCA respectfully requests that this question be directed  
23 at one or all of those parties.

24 **d. What overall rate of return on the original cost rate base results from the**  
25 **operating income agreed to in the Settlement Agreement?**

26 EFCA believes that Staff, RUCO or the Company are in a much better position to  
27 answer this question and EFCA respectfully requests that this question be directed  
28 at one or all of those parties.



1 e. While recognizing no fair value increment in the capital structure or rate base  
2 and using a capital structure comprised of 55.8% equity and 44.2% debt at  
3 5.13%, what cost of equity provides the same operating income as the  
4 Settlement Agreement?

5 EFCA believes that Staff, RUCO or the Company are in a much better position to  
6 answer this question and EFCA respectfully requests that this question be directed  
7 at one or all of those parties.

8 **12. Paragraph 9.1 allows APS to file for an increase in rates for environmental equipment**  
9 **installed at Four Corners. The filing date for this could be as late as January 1, 2019,**  
10 **while APS could file its next rate case as early as June 1, 2019, only five months later.**

- 11 • **Why would it not be better (especially from a workload perspective for all involved)**  
12 **for the Commission to eliminate paragraph 9.1 and instead just review these costs in**  
13 **APS's next rate case?**

14 Each provision of the settlement is tied to all other provisions of the settlement. A change  
15 to any provision of the settlement could be deemed a material change to the settlement,  
16 thereby permitting any signatory to withdraw from the settlement. As a result, EFCA is  
17 opposed to the Commission making any alteration that could jeopardize the settlement.

18 **13. Paragraph X allows for the deferral of costs related to the Ocotillo Modernization**  
19 **Project ("OMP"). APS would be allowed to request recovery of these costs, plus**  
20 **interest, in its next rate case.**

- 21 • **Why does the Settlement Agreement not treat the Selective Catalytic Reduction**  
22 **deferred costs (see Section IX) at Four Corners in the same manner as the deferred**  
23 **costs of the OMP?**

24 EFCA believes that Staff, RUCO or the Company are in a much better position to answer  
25 this question and EFCA respectfully requests that this question be directed at one or all of  
26 those parties.



1 **14. Section XI deals with deferred costs related to changes in APS's property tax rate.**

2 **Is this section exactly the same or different than the similar issue contained in APS's**  
3 **last rate case? If different in any way, please explain the difference(s) in detail.**

4 EFCA was not a party to the last APS rate case and EFCA believes that Staff, RUCO or  
5 the Company are in a much better position to answer this question. EFCA respectfully  
6 requests that this question be directed at one or all of those parties.

7 **15. Section XII deals with the cost of service study. Please explain the purpose of having**  
8 **Section XII in the Settlement Agreement. The explanation should contain a detailed**  
9 **discussion of the benefits and drawbacks to each of the below customer classes of**  
10 **having the requirements of Section XII in the Settlement Agreement:**

- 11 a. Low income residential customers
- 12 b. Typical residential customers
- 13 c. Small commercial customers
- 14 d. Medium size commercial customers
- 15 e. Large commercial customers

16 EFCA believes that Staff, RUCO or the Company are in a much better position to  
17 answer this question and EFCA respectfully requests that this question be directed  
18 at one or all of those parties.

19 **16. In Section XIV, would EFCA be opposed to adding an additional paragraph as**  
20 **follows:**

21 **14.3 APS shall report on and discuss its workforce planning at the Commission's**  
22 **annual Summer Preparedness Workshop, beginning in 2018. Such a requirement**  
23 **shall remain in effect until further notice by the Commission.**

24 Each provision of the settlement is tied to all other provisions of the settlement. A  
25 change to any provision of the settlement could be deemed a material change to the  
26 settlement, thereby permitting any signatory to withdraw from the settlement. As a  
27 result, EFCA is opposed to the Commission making any alteration that could jeopardize  
28 the settlement.

1 **17. Please explain in detail the purpose of the Self-Build Moratorium contained in Section**  
2 **XV.**

3 EFCA believes that Staff, RUCO or the Company are in a much better position to answer  
4 this question and EFCA respectfully requests that this question be directed at one or all of  
5 those parties.

6 **18. Section XVI discusses the establishment of a Tax Expense Adjustor Mechanism. Does**  
7 **EFCA expect any Federal income tax reform legislation to increase or decrease APS's**  
8 **annual Federal income tax expense?**

9 EFCA has not examined this issue and has no basis on which to provide an answer.

10 **19. For each rate listed in Section XVII, please discuss whether each is a totally new rate**  
11 **or a modification of an existing rate.**

12 While EFCA believes the Company would be better able to answer this question, it is  
13 EFCA's understanding that the following rates are "totally new" rates: R-XS; both "R-  
14 Basic" rates (although they could be considered a variation on the existing basic rate);  
15 TOU-E (although it could be considered a variation of one of the already existing TOU  
16 rates); R-2; R-3; and R-Tech.

17 **20. For each rate listed in Section XVII, please explain in detail how APS will advise and**  
18 **educate its customers of these rates.**

19 EFCA believes that the Company is in a much better position to answer this question and  
20 EFCA respectfully requests that this question be directed to APS.

21 **21. Will EFCA be advising and educating its own customers about APS's rate options?**  
22 **If yes, please explain in detail when and how.**

23 Strictly speaking, EFCA does not have customers. EFCA is a limited liability company  
24 that is made up of members that are themselves in the distributed energy resource industry  
25 and EFCA engages in various proceedings to support the adoption and proliferation of  
26 distributed energy resources. As a result, EFCA's answer to this question would have to  
27 be no. However, EFCA submits that those that currently provide distributed energy  
28 resources to consumers likely have always educated them on the utility rates that the

customer is dealing with. As result, EFCA expects that quality providers of distributed energy resources are well equipped to educate consumers about the rate options set forth in the settlement.

**22. Paragraphs 17.5 and 17.6 discuss Rate Schedules R-2 and R-3, respectively. Both R-2 and R-3 are described as “three-part” rates.**

- **Does “three-part” refer to a basic service charge, a kWh usage charge and a kW demand charge? If yes, please explain in detail how customers will be educated on these two rate schedules, especially regarding the kW demand charge.**

EFCA agrees that these rates are three part rates as defined in the question but respectfully requests that this question be directed to APS, as the party that will be doing the educating.

**23. In paragraph 17.8, would EFCA be opposed to having the on-peak periods being 4:00pm to 7:00pm; 3:30pm to 7:30pm; 3:00pm to 7:00pm; 4:00pm to 8:00pm? If yes, please explain in detail EFCA’s opposition to each set of hours.**

- **If the Commission were to mandate one of the above set of hours, which one would EFCA prefer (“none” is not an acceptable answer)?**
- **How did EFCA consider seasonal time-of-use rates in the Settlement Agreement? Are they included in it? Please explain why or why not.**

**Please rank the above set of hours from least desirable to most desirable to EFCA.**

- **In APS’s existing time-of-use rate plans, what are the excluded holidays?**

EFCA supports the time and duration of the TOU peak period included in the settlement. Any adjustment to the TOU peak time or the number of on-peak hours would likely constitute a material change and jeopardize the entire settlement. Each provision of the settlement is tied to all other provisions of the settlement. As a result, EFCA is opposed to the Commission making any alteration that could jeopardize the settlement.

Moreover, given the limited information provided, it would not be possible for EFCA to answer the above questions.

**24. Please explain in detail how Section XVIII will result in distributed generation customers being treated differently than they would have been treated without this**

1        **section, thereby having these customers treated as contemplated per the outcome of**  
2        **the Value of Solar docket.**

3        It is not possible for EFCA to predict how distributed generation customers would have  
4        been treated in a Commission Order resulting from a fully litigated rate case but EFCA can  
5        support the treatment of DG customers as set forth in Section XVIII for the purposes of  
6        settlement of this matter under the unique circumstances in this service territory. This  
7        Section treats DG customers consistent with the Value of Solar docket insofar as it protects  
8        grandfathering as contemplated in the VOS docket and sets an export rate for exported  
9        solar energy consistent with the RCP methodology set forth in the VOS docket.

10       **25. Paragraph 18.3 sets the export energy rate for year one. Paragraph 18.4 states that**  
11       **this year-one export energy rate was a result of settlement negotiations.**

- 12       • **How and when will the export energy rate for years two, three, four and five be set?**
- 13       • **Does EFCA have any estimates as to what the export energy rates will be for years**  
14       **two, three, four and five?**

15       Pursuant to the Value of Solar Decision, the export rate will be reset on an annual basis.  
16       The settlement sets forth the details of the annual reset of this rate and provides for  
17       stakeholder review followed by Commission approval. The Value of Solar Decision  
18       mandates that the annual reset will not be permitted to lower the export rate by more than  
19       10% per year. EFCA has no estimate for future year export rates other than to acknowledge  
20       that such decreases will not be greater than 10%.

21       **26. Section XIX delineates the availability of certain rates for APS's customers.**  
22       **Paragraphs 1.5.1 and 26.1 mention a customer education plan, information and**  
23       **outreach.**

- 24       • **Does APS currently have this education/information plan to adequately and properly**  
25       **explain paragraph 19.1 to its customers?**

26       EFCA believes that the Company is in a much better position to answer this question and  
27       EFCA respectfully requests that this question be directed to APS.



- 1 • If no, why not? If no, would EFCA be opposed to APS creating such a customer  
2 education/information plan and submitting such a plan to the Commission for  
3 Commission approval, prior to implementing any of the provisions of paragraph  
4 19.1?
- 5 • If APS does have such a plan, would EFCA be opposed to APS submitting such a plan  
6 to the Commission for Commission approval, prior to implementing any of the  
7 provisions of paragraph 19.1?

8 EFCA understand each of the proposed bullet points above to be suggesting a modification  
9 to the settlement. As such, and as explained more fully in several responses above, EFCA  
10 is unable to support, and opposes, any modification to the settlement including those set  
11 forth above.

12 **27. After May 1, 2018, will new customers be required to choose a time-of-use (“TOU”)**  
13 **rate or three-part demand rate (“Demand Rate”) and be required to remain on this**  
14 **rate for at least 90 days, i.e., three billing periods? If yes, please explain in detail how**  
15 **this requirement is fair and beneficial to new customers?**

16 EFCA believes that the Company is in a much better position to answer this question and  
17 EFCA respectfully requests that this question be directed to APS.

18 **28. If after May 1, 2018, new customers are required to choose a TOU or Demand Rate**  
19 **and remain on this rate for 90 days, would EFCA be opposed to APS refunding (after**  
20 **the 90-day period) to each such customer the amount of money collected by APS that**  
21 **was in excess of what APS would have collected had the customer been on the typical**  
22 **non-TOU or non-Demand Rate, i.e., basic two-part rate? If yes, please explain in**  
23 **detail why.**

24 EFCA believes this proposal would require a change to the settlement itself and, for the  
25 reasons set forth throughout this response, EFCA is opposed to any changes that might  
26 undermine this delicate and comprehensive settlement.

1       **29. Paragraph 23.3 has a phrase stating “At APS’s option...”.**

- 2       • **With this statement, how can the Commission and APS customers be assured that all**  
3       **customers will be treated equally and fairly by APS?**

4       EFCA believes that the Company is in a much better position to answer this question about  
5       the way it will treat its customers and EFCA respectfully requests that these questions be  
6       directed at APS.

7       **30. Section XXVI relates to the effective date of new rates ‘from this case. It seems that**  
8       **this Settlement Agreement would result in quite a few new rate options for customers.**

- 9       • **Would EFCA be opposed to having the effective date of new rates in this case being**  
10       **the first day of the month following the month in which the Commission approved**  
11       **customer education/information plan (see discussion of Section XIX above) was sent**  
12       **to all APS customers and the Commission requiring APS to send that information to**  
13       **customers prior to the tenth day of the month? If yes, please explain in detail EFCA’s**  
14       **opposition and how the Commission not requiring this would be beneficial and fair**  
15       **to APS customers.**

16       Any adjustment to the effective date of the new rates would likely constitute a material  
17       change and jeopardize the entire settlement. Each provision of the settlement is tied to all  
18       other provisions of the settlement. As a result, EFCA is opposed to the Commission  
19       making any alteration that could jeopardize the settlement.

20       **31. Paragraph 32.2 states that for customers on a demand rate, the LFCR charge will be**  
21       **based on the customer’s demand. Please provide examples for each of the customers**  
22       **below showing how each of their bills may be affected by this provision:**

- 23           a. **Low demand customer**  
24           b. **Medium demand customer**  
25           c. **High demand customer**

26       **Please explain why residential customers on a demand rate should be subj act to the**  
27       **LFCR charge.**

1 EFCA believes that Staff, RUCO or the Company are in a much better position to  
2 answer these questions and EFCA respectfully requests that these questions be  
3 directed at one or all of those parties.

4 **32. Please explain in detail how Commission approval of this Settlement Agreement**  
5 **(especially when compared to all the contrary recommendations in EFCA's direct**  
6 **testimony; in particular EFCA's agreement to a \$94.624 million net base rate increase**  
7 **as opposed to EFCA's direct testimony recommendation for a \$ 107.5 million**  
8 **decrease) may be beneficial for each of the customer classes listed below:**

- 9 a. Low income residential customers
- 10 b. Typical residential customers
- 11 c. Small commercial customers
- 12 d. Medium size commercial customers
- 13 e. Large commercial customers

14 EFCA believes that each of the above referenced category of customers benefits  
15 from the settlement's terms related to distributed generation and battery storage in  
16 particular. Continued viable access to distributed generation and a new option  
17 promoting the growth of battery storage will benefit all APS customers whether or  
18 not those customers themselves have distributed generation or battery storage at  
19 their home or office.

20 **33. Please explain in detail how Commission approval of this Settlement Agreement**  
21 **(especially when compared to all the contrary recommendations in EFCA's direct**  
22 **testimony; in particular EFCA's agreement to a \$94.624 million net base rate increase**  
23 **as opposed to EFCA's direct testimony recommendation for a \$107.5 million**  
24 **decrease) may be detrimental to each of the customer classes listed below:**

- 25 a. Low income residential customers
- 26 b. Typical residential customers
- 27 c. Small commercial customers
- 28 d. Medium size commercial customers

1           **e. Large commercial customers**

2           EFCA believes that the settlement is a benefit to each of those groups of customers  
3           listed above and does not believe that it is a detriment to any of them.

4   **34. Please explain in detail how the Commission not approving this Settlement**  
5   **Agreement (especially when compared to all the contrary recommendations in**  
6   **EFCA's direct testimony, in particular EFCA's agreement to a \$94.624 million net**  
7   **base rate increase as opposed to EFCA's direct testimony recommendation for a**  
8   **\$107.5 million decrease) but instead having this case be fully litigated may be**  
9   **beneficial for each of the customer classes listed below:**

- 10           **a. Low income residential customers**  
11           **b. Typical residential customers**  
12           **c. Small commercial customers**  
13           **d. Medium size commercial customers**  
14           **e. Large commercial customers**

15           EFCA does not believe litigating this case will be beneficial to any of the customer  
16           classes listed.

17   **35. Please explain in detail how the Commission not approving this Settlement**  
18   **Agreement (especially when compared to all the contrary recommendations in**  
19   **EFCA's direct testimony; in particular EFCA's agreement to a \$94.624 million net**  
20   **base rate increase as opposed to EFCA's direct testimony recommendation for a**  
21   **\$107.5 million decrease) but instead having this case be fully litigated may be**  
22   **detrimental to each of the customer classes listed below:**

- 23           **a. Low income residential customers**  
24           **b. Typical residential customers**  
25           **c. Small commercial customers**  
26           **d. Medium size commercial customers**  
27           **e. Large commercial customers**



1 EFCA believes that each of the classes identified above will incur the risk of being  
2 harmed by litigating this matter. The settlement provides a comprehensive  
3 resolution of all nearly all major issues in this case. A resolution that has been  
4 agreed upon by roughly thirty different signatories representing a diverse range of  
5 interests. The certainty and elimination of risk provided in the comprehensive  
6 settlement is a benefit to each of these rate classes and each rate class could do  
7 substantially worse if litigating this matter.

8 **36. In APS's application for this case, APS requested approval of three-part demand**  
9 **rates that would be mandatory for all customers. It seems that the Settlement**  
10 **Agreement does not contain any such mandatory rates for either existing or new**  
11 **customers. Is this correct?**

12 Yes.

13 **37. In APS's next rate case, if APS plans to again request mandatory three-part demand**  
14 **rates (if such rates are not approved by the Commission in this case), would EFCA**  
15 **be opposed to having an ordering paragraph in the decision in this case that ordered**  
16 **APS to submit for Commission approval an education plan for such rates, with that**  
17 **plan being submitted at least 360 days prior to the submittal of APS's application for**  
18 **its next rate case? If yes, please explain in detail.**

19 As EFCA understands this proposal, it would not be inconsistent with any provision in the  
20 settlement and would not represent a modification to the settlement. As a result of and  
21 subject to that understanding, EFCA would not oppose such a provision.

22 **38. Is EFCA completely satisfied with all aspects of Appendix H? If no, please explain in**  
23 **detail.**

24 For the purposes of this settlement and under the unique circumstances of this case, EFCA  
25 has agreed to all aspects of Appendix H and is not seeking any changes or alterations  
26 thereto. As such, EFCA is satisfied that Appendix H accurately reflects the terms it has  
27 agreed upon to amicably resolve this case.